

Message Text

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ORIGIN EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 L-03 SSO-00 NSCE-00

FEA-01 INRE-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

DODE-00 FPC-01 H-02 INR-07 INT-05 NSAE-00 NSC-05

OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 USIE-00 /088 R

DRAFTED BY EB/ORF/FSE:LBUTCHER:MEP

APPROVED BY EB/ORF - JLKATZ

EUR/NE - NACHILLES

COMMERCE - JLAMONT

L - SSCHWEBEL

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON IMMEDIATE

C O N F I D E N T I A L STATE 171992

E.O. 11652:GDS

TAGS: ENRG

SUBJECT: NORTH SEA OIL LEGISLATION

REF: A. LONDON 11051; B. LONDON 11062; C. STATE 168231

1. DEPARTMENT CONCURS WITH POSSIBLE NOTE SUGGESTED REF. A.
WE WOULD LIKE TO SUGGEST FOLLOWING ADDITIONS TO NOTE UNLESS
IN EMBASSY'S VIEW ONE OR MORE OF POINTS SHOULD NOT BE MADE
FOR TACTICAL REASONS.

2. SUGGEST ADDING FOLLOWING SENTENCE TO END PARA 3 REFTTEL:
QUOTE WE ARE CONCERNED THAT THE DRAFT LEGISLATION DOES NOT
PROVIDE FOR RIGHTS OF LICENSEES TO COMPENSATION, ARBITRATION,
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OR APPEAL ON ACTIONS WHICH MIGHT BE TAKEN PURSUANT TO THESE

POWERS WITH RESPECT TO DEVELOPMENT AND DEPLETION. UNQUOTE

3. SUGGEST POINTS MADE PARA 5 REF A BE MADE EARLIER IN NOTE, PROBABLY IMMEDIATELY AFTER PARA 3, IN ORDER TO UNDERSCORE THEIR IMPORTANCE.

4. WE BELIEVE WE SHOULD POINT OUT IN NOTE THAT LEGISLATION WOULD RAISE QUESTION AS TO ITS COMPATIBILITY WITH INTERNATIONAL LAW REGARDING REGULATION AND TAKING OF FOREIGN PROPERTY AND CONTRACTUAL RIGHTS. THIS SHOULD BE INSERTED PRIOR TO POINTS MADE PARA 4 REF A.

5. IN CONTEXT POINTS MADE PARA 3 REF A, EMBASSY MAY WISH TO CONSIDER MAKING REFERENCE TO VARLEY'S STATEMENT OF DECEMBER 6, 1974, CONCERNING PARAMETERS OF ANY UK OIL CONTROLS ON PRODUCTION AND OUR UNDERSTANDING POWERS CONTEMPLATED IN THIS BILL WOULD BE IMPLEMENTED WITHIN THESE LIMITS.

6. WE WOULD ALSO BE CONCERNED IF PROVISION FOR QUOTE FULL AND FAIR UNQUOTE PARTICIPATION BY UK SUPPLIERS WERE INCLUDED IN BILL, AND EMBASSY SHOULD ADDRESS THIS POINT ORALLY OR IN NOTE IF IT BELIEVES SUCH PROVISION IS CONTEMPLATED.

7. AS INDICATED PREVIOUS EMBASSY REPORTING, COMPANIES HAVE ALSO EXPRESSED THEIR CONCERN OVER WHAT MIGHT BECOME PRIVILEGED TREATMENT FOR BNOC. THEY CITE PROVISIONS OF BILL WHICH COULD GIVE BNOC SPECIAL TERMS FOR ACQUIRING NEW LICENSES AND SPECIAL LOAN ARRANGEMENTS AND TERMS. EMBASSY MAY WISH TO STATE ORALLY OUR CONCERN THAT BILL NOT RESULT IN DISCRIMINATORY TREATMENT OF BNOC.

8. WE WOULD ALSO APPRECIATE HAVING ANY FURTHER REACTION FROM COMPANIES, PARTICULARLY WITH REGARD QUOTE DEFERRAL UNQUOTE POWERS OF SECSTATE FOR ENERGY AS DESCRIBED PARA 4 (D) REF B. DO COMPANIES BELIEVE PRODUCTION PLANS AND UK APPROVAL/DEFERRAL WOULD BE MADE ON YEARLY BASIS OR RATHER ON LONG-TERM BASIS (5 YEARS OR GREATER) IN ORDER TO ALLOW RATIONAL DECISIONS ON LONG-RANGE INVESTMENTS?
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